

Insurance Practice

China insurance: How insurers can improve customer experience where it matters

Insurers in China are not adapting as quickly as other industries to the changing world of customer experience. But they have a chance to spur growth and increase customer retention if they get it right.

by Will Enger, Bernhard Kotanko, and David Schiff



Chinese insurers are failing to meet their customers' expectations. On the key point of customer-experience satisfaction, McKinsey research finds that many Chinese insurers are falling behind other industries in China. Customers have better experiences with banks than they do with insurance companies, including the top carriers: only 28 percent of customers rated insurers highly for customer satisfaction compared with 57 percent of banks and 80 percent of cafés (Exhibit 1). Insurers that are not included in the top-rated customer satisfaction category experience slower or no premium growth and greater difficulty retaining customers.

Chinese customers' expectations are changing partly as a result of ecosystems that provide an integrated experience, serving as one-stop shops for everything a customer might need—from

medical appointments to opening a bank account. Customers expect minimal interruptions and a personalized experience when interacting with companies both online and offline, and expectations for insurance companies are no different. However, insurers have been slow to adjust. One reason for this lag is because the insurance industry's complex distribution environment insulates carriers from directly feeling the change in customer sentiment. This is an issue for insurers looking to grow in China's insurance market as well as for those hoping to break in.

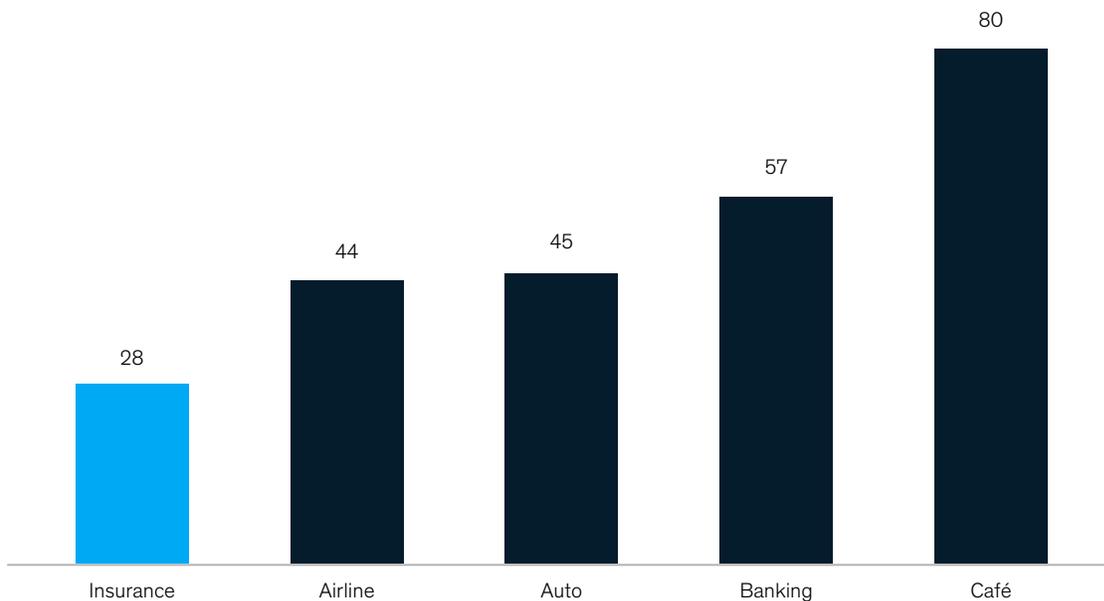
To help carriers understand who's winning in China's current insurance market and how those leaders are adapting and providing a superior customer experience, we conducted an online survey of 3,000 recent Chinese insurance customers.¹ We examined customer satisfaction

¹ The survey was conducted online in May and June 2019. We surveyed 3,000 customers in 25 tier-one and tier-two Chinese cities (Mainland China insurance market and the Hong Kong insurance market, but not the Taiwan insurance market) who currently use an insurance product purchased within the past 12 months. Customers were asked to rate insurance companies, and we then aggregated customer scores for these companies based on the responses. Unless otherwise mentioned, "survey research" in this article refers to this online survey.

Exhibit 1

Customers in Mainland China are less satisfied with insurance companies compared with other industries.

Customer satisfaction, ten-point scale, % of respondents scoring nine or ten



Note: Results include the Mainland China insurance market and the Hong Kong insurance market, but not the Taiwan insurance market.

Source: 2019 McKinsey China Insurance Customer Experience Benchmark Survey

with insurers, individual products, and personal interactions, such as product pricing explanations.

Leading insurers demonstrate that the key to premium growth and customer retention is not only offering competitively priced products but also providing exceptional end-to-end customer experience. Therefore, once insurers understand what their customers expect and where the opportunities are, they should focus on three measures to improve their customers' experience: set a clear customer strategy, design the right customer journey using design-thinking tactics, and put the appropriate internal structures in place to support the desired changes. Doing so will be crucial if insurers want to beat competitors and make meaningful interventions in the Chinese insurance market.

Chinese customer experience in insurance

Globally, the link between customer experience and financial impact has been seen across industries. But what about in China? Our research indicates a strong correlation between customer experience and the growth of life and accident and health premiums. In our survey of Chinese insurance customers, leaders in customer experience had a gross written premium growth rate five times greater than the laggards (Exhibit 2).

Satisfied customers have a stronger stated intention to stay with their insurer and increase their share of business compared with neutral or unsatisfied customers (Exhibit 3).

Exhibit 2

Leaders in customer satisfaction had higher gross written premium rates than the laggards.

Gross written premium (GWP) growth rate (2013–17), %

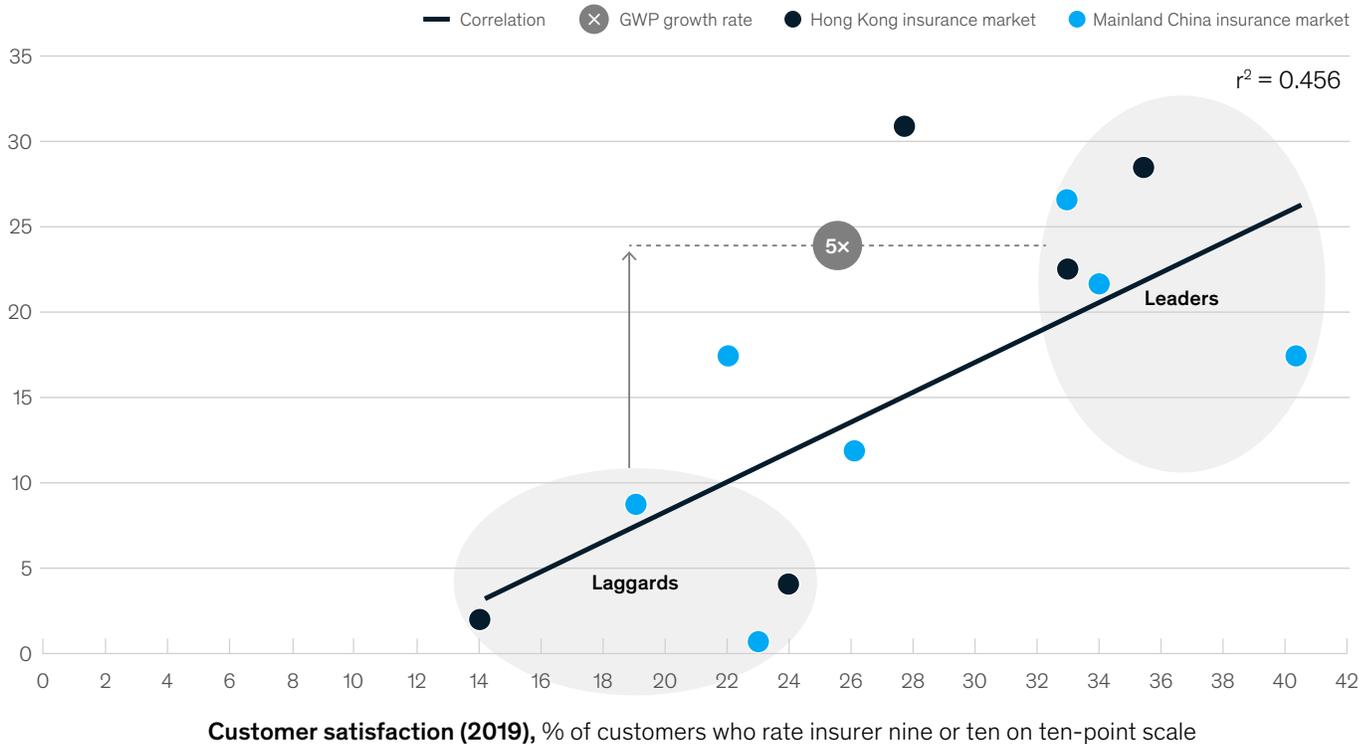
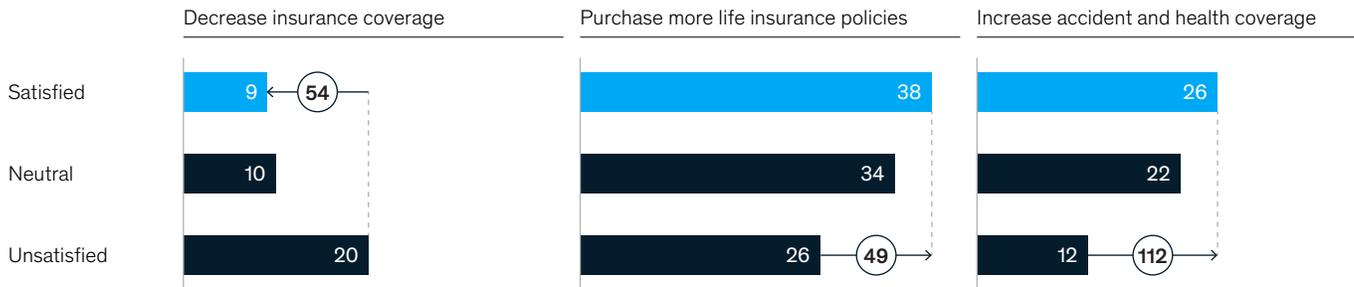


Exhibit 3

Satisfied customers are nearly 50 percent more likely to purchase more life insurance policies and more than twice as likely to increase their accident & health coverage.

Customer purchase intention,¹ % of respondents

(x) % difference in likelihood



¹ Results include the Mainland China insurance market and the Hong Kong insurance market, but not the Taiwan insurance market.

Source: 2019 McKinsey China Insurance Customer Experience Benchmark Survey

Given this conclusion, to make meaningful improvements in customer experience, insurers must first understand what is most important to customers when seeking an insurer or making an insurance purchase decision. This will inform where and how a carrier should focus its efforts.

Chinese customer expectations for speed and simple digital interfaces are increasingly shaped by their interactions with leading new retail players such as Alibaba Group and Tencent. More than 70 percent of customers are willing to shop in a brand’s WeChat store, especially if the brand meets their expectations for a good digital experience.² Findings from our survey show that Chinese insurance customers expect service to be fast, personalized, and omnichannel, and that these customers also rely heavily on social media for reviews. In fact, 75 percent of online customers expect help within five minutes of being on a platform and will spend just over one minute at an online touchpoint. Furthermore, 61 percent of customers are more likely to buy from companies that provide custom content. In insurance, for instance, carriers might offer customers a special policy on social media based on their browsing history.

Global brands such as Apple, Louis Vuitton, and Mercedes-Benz consistently provide high-touch

experiences across every online and offline location, so customers always know what to expect. These trends have influenced financial services in China. Leading retail banks in China improved customer experience by creating in-house measurement systems to gauge customer-satisfaction information in real time. They also overhauled the most critical journeys, such as purchasing an insurance product, by making them digital and seamless.

Our research shows that many insurance agents discuss insurance products in a general way rather than helping customers think about what products might be a good fit for their individual situations. We conducted market research via mystery shopping to better understand the insurance customer experience. Through this research, we found that a lack of personalized care is a problem because customers are beginning to expect the same level of customer experience when shopping for insurance products that they receive when, for instance, shopping for a car. Therefore, an interaction that doesn’t speak to the customer’s unique situation could easily cost a sale.

Seeing the insurance journey through the customer’s eyes

Many companies—and insurers—have traditionally provided and improved customer service through key touchpoints. While this view is logical,

² WeChat stores are e-commerce platforms hosted on the WeChat app where customers can go to a brand or company’s store to browse and purchase products.

reflects organizational structure, and provides accountability, the focus on touchpoints alone often misses the bigger picture.³ Although individual interactions may perform well, the overall customer experience might be poor (Exhibit 4). The repeated interactions needed to complete a single request, providing different or conflicting information across channels, or the overall time required to complete a request can all tarnish the customer's experience.

To get an accurate picture of how well a company's customer-service functions, it is more effective to measure the customer experience through an end-to-end perspective instead of through individual interactions.

To help insurers understand where in the process they are winning and losing with customers, we defined five critical customer-centered insurance journeys: learning about insurance products, purchasing insurance, managing a policy, paying a renewal premium, and processing a claim. For each of these journeys, we arranged touchpoints in the order most customers experience them (Exhibit 5).

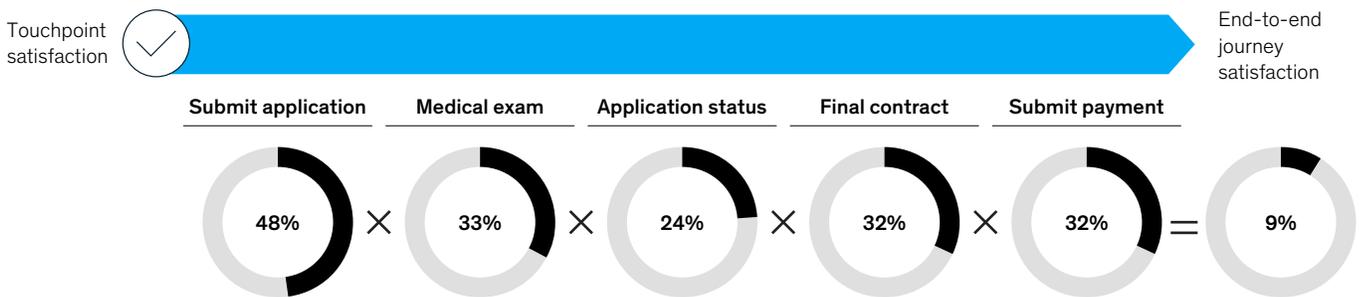
Our research indicates that Chinese customers view quoting and coverage information as most important in this learning journey, and that their insurer satisfaction ratings vary widely. Top-performing insurers have nearly 80 percent of

³ Nicolas Maechler, Kevin Neher, and Robert Park, "From touchpoints to journeys: Seeing the world as customers do," March 2016, McKinsey.com.

Exhibit 4

It is important to focus on the overall customer-satisfaction experience instead of steps along the way, which can score well but do not reflect the overall customer experience.

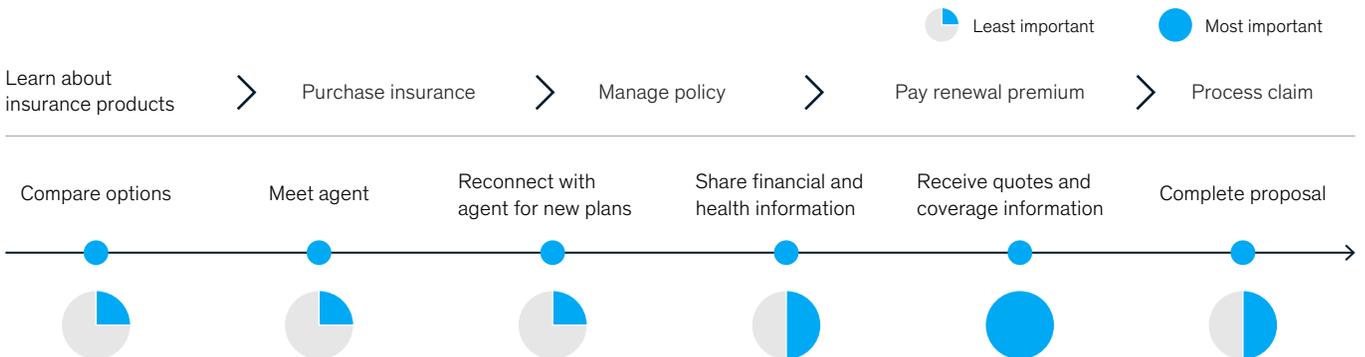
Sanitized example



Note: Chart shows customer satisfaction ratings at the touchpoint level and then overall customer satisfaction.

Exhibit 5

Insurers can use five critical points in the insurance process to measure customer satisfaction.



Note: Results include the Mainland China insurance market and the Hong Kong insurance market, but not the Taiwan insurance market.

Source: 2019 McKinsey China Insurance Customer Experience Benchmark Survey

customers rate them a nine or a ten out of ten based on their experience. In contrast, the bottom quartile of insurers are rated as highly by only 25 percent of their customers.

For life insurers, the up-front learning and purchasing journeys are the most important for customers. Life insurance products are complex. They consist of many steps—application, medical, and underwriting—and can therefore take a long time to complete. In addition, the devil is in the details as these products are often sold, not bought. In the accident and health claims journey, the delivery of the benefit, paying a claim, is the most important element because the financial value of the claim can differ based on the original quote (Exhibit 6).

We also identified a few factors that carriers should pay attention to as they assess the customer’s perception of operational processes, employee

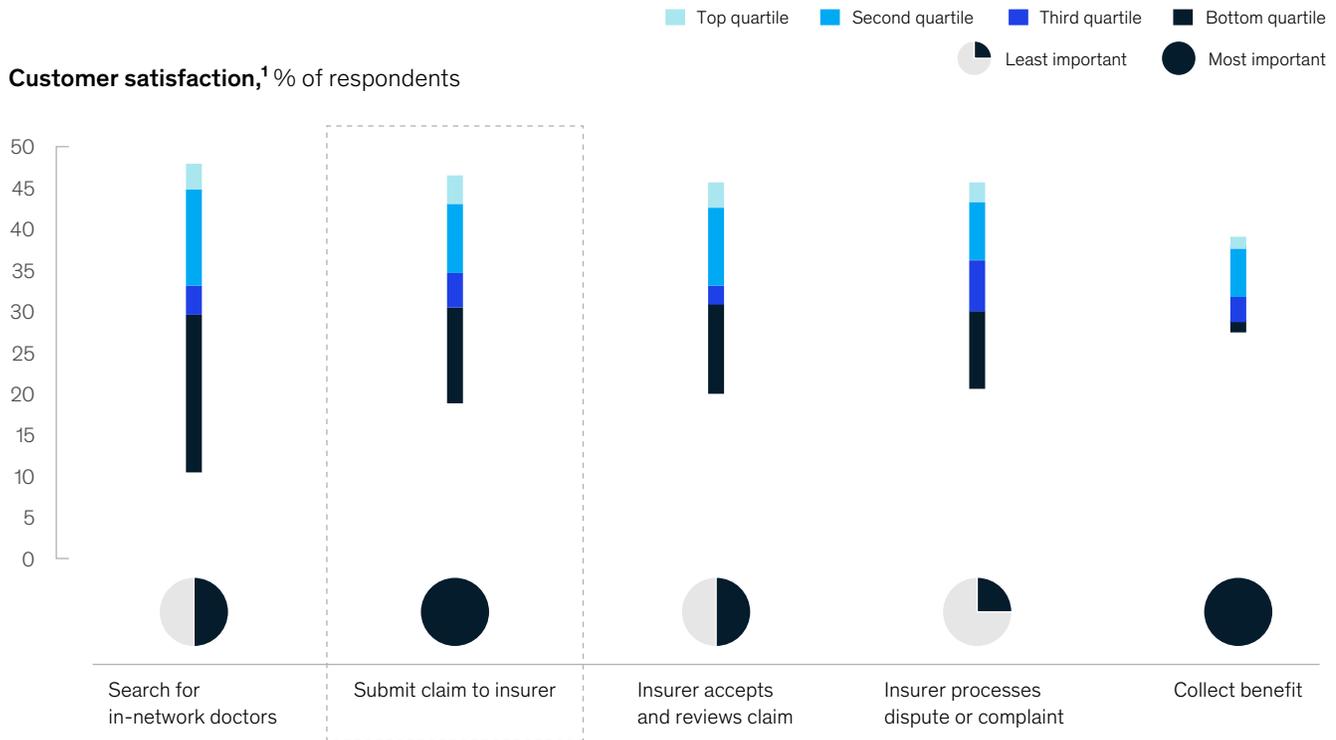
interactions, and information interfaces, including personalization, clarity, transparency, and convenience.

Using our survey research, we assessed the performance of customer-service leaders versus laggards against these key factors and discovered that customers overwhelmingly prefer a personalized experience that clearly and transparently describes the product. Furthermore, customer-experience leaders scored nearly twice as high as the laggards in both personalization and clarity and transparency.

Chinese customers appreciate the authenticity of personal interactions. Creating personalized experiences is a challenge for insurers, however, as it relies on accurate and up-to-date customer data. Agents we’ve interviewed say they face significant practical challenges. They have determined that being local is essential to fostering

Exhibit 6

The claims process is lined with touchpoints that have varying degrees of importance for customers.



¹ Results include the Mainland China insurance market and the Hong Kong insurance market, but not the Taiwan insurance market.

Source: 2019 McKinsey China Insurance Customer Experience Benchmark Survey

close relationships, and they've sometimes found it difficult to develop trust with customers in cities where they are not locals. In addition, skilled and successful agents find that customers perceive them as more professional when they produce quotes and describe features with actual pen and paper, while agents who rely on digital tools, such as tablets, are perceived as overly reliant on technology and less familiar with their insurance products. Chinese customers are also extremely careful when revealing private information, especially regarding financial status. While customers prefer to receive quotes via pen and paper, they might be more willing to share personal data on digital platforms—but only if they are reliable and secure.

Leaders provide better experiences earlier—as soon as customers submit claims. Here, the critical factor is convenience, with customer-experience leaders scoring 50 percent higher than laggards. Insurers should look carefully at the processes involved in submitting a claim and work to lessen the customer's load.

Regarding transparency, every insurance carrier believes their presentation is transparent, and well-tailored to the customer—but our research shows that customers often feel otherwise. Receiving a quote is likely the first time customers think about how much coverage they need and the first time agents and customers discuss pricing and affordability.

For insurers to meet the customer's expectations, they must improve the customer experience where it matters most.

How to improve end-to-end customer experience

Our research on Chinese insurance customer satisfaction provides context and highlights areas of opportunity for insurers. To capitalize on these opportunities, carriers must improve the end-to-end customer experience.

Specifically, insurers should take three critical steps: get clear on customer strategy and align with stakeholders, use design thinking to redesign the most crucial customer journeys, and build the appropriate internal structures. These recommendations are based on our research and what we've observed other companies do to successfully improve the customer experience. Based on our experience globally, we see that when companies take such an approach, they can achieve a 15 to 20 percent improvement in sales conversion, a 10 to 15 percent improvement in costs to serve customers, and a 20 to 30 percent improvement in employee engagement and satisfaction (see sidebar, "A comprehensive approach to customer experience").

Get clear on customer strategy

Although almost every organization espouses a customer-centric strategy, there are different ways of getting there. In this process, the customer-experience vision must be consistent with the brand and value proposition.

Leaders tend to choose one of three customer-experience strategies:

- *Fix what's broken and deliver consistency.*
This strategy focuses on identifying and

Every insurance carrier believes their presentation is transparent, and well-tailored to the customer—but our research shows that customers often feel otherwise.

A comprehensive approach to customer experience

One large accident and health insurer wanted to improve its customer experience but realized it needed a specific focus area as well as the right functional governance and management infrastructure to do so. After conducting research, the insurance company decided to start with the claims process because claims is the most important factor in the customer experience for this carrier and received the lowest

customer satisfaction score. The insurer developed a new management system that instituted routine communication between departments about what works and what doesn't. The carrier addressed critical customer pain points—such as slow processing times—by improving communication, using automation technologies—such as optical character recognition, enabling more straight-through processing, and redesigning

the customer claims app to be more self-driven. To help ensure the focus on customer experience was embedded throughout the organization, this insurer built an intelligent measuring system across all critical customer journeys and instituted a new way of working across the company. The results: the carrier improved efficiency by 15 percent, customer experience by 10 percent, and employee experience by more than 50 percent.

remediating specific customer pain points across a journey while carefully managing operational performance indicators and customer feedback. Customer pain points may be found in the billing process, coverage clarity issues, or slow payment completion times, and are usually addressed with a process redesign. This approach is often associated with “no frills” brands for which customer expectations are lower.

- **Provide a signature moment.** Insurers should focus on the most important journey for their most valuable customer segment(s) and invest their customer-experience resources to differentiate this journey from competitors. For instance, a life carrier might choose to focus on a learning or purchase journey with the goal of shepherding a customer through that process in a minimal amount of time with minimal inputs from the customer, creating a “signature moment.”
- **Place customer experience at the core.** For some organizations, providing an exceptional customer experience becomes the central mission. The brand, product portfolio, and service experience are all organized around a carefully designed set of highly personalized customer journeys. In an insurance context, this means using available customer information and data to tailor

product selection. For example, if a new family is interested in purchasing insurance products, the insurers should offer products that reflect the potential customer's situation—in this case, life products or even disability. Few carriers, however, are using this focused approach, especially lower-end or no-frills brands.

Redesign the customer journeys that matter

Once the overall strategy is sharply defined, many organizations turn to design thinking to create the future-state journey.⁴ This approach blends a qualitative and quantitative understanding of customer behavior to identify unstated and unmet customer needs.⁵ These needs may represent both customer expectations, such as improved operational processes—complete 75 percent of underwriting within 24 hours and pay all claims within one week, or opportunities to exceed expectations, such as a resolving an issue with a single phone call. Once customer needs are understood, a series of collision workshops, which bring together stakeholders from areas of the business that rarely meet, are held to generate ideas meant to improve the customer journey. Those ideas are narrowed down and prioritized based on the value they bring to the business, technology requirements, and customer feedback.

⁴ Markus Berger-De Leon, Jochen Kühn, Ildiko Ring, and Maximilian Straub, “Transforming life insurance with design thinking,” May 2016, McKinsey.com.

⁵ This means carriers should employ quantitative research, such as customer satisfaction surveys, customer feedback scores, and financial performance with qualitative research, such as in-depth interviews to improve the journey.

These remaining concepts are then translated into a minimum viable product (MVP) through a series of iterative sprints.⁶ The goal of each sprint is to design and test specific components of the MVP. A core tenet of this approach is that the best experience can only be developed with frequent customer input—the earlier and more targeted the better.

In our redesign work in China, we have found several market-specific requirements that insurers should consider when developing their MVP:

- **Make WeChat and mobile the default.** Agents have multiple touchpoints with customers across WeChat, with much more nonlinear inquiry and purchase journeys than in other markets. Insurers should ensure product information and the value proposition are easily comprehensible on mobile devices.
- **Develop a streamlined needs analysis.** Chinese customers expect interactions to be fast and to the point. In fact, they are less likely to be patient with slow responses and wait times than customers in European and North American markets. Most expect their agents to quickly assess their needs—there is less of a demand for an interactive exploration of financial goals. One hour is generally considered a sufficient length for face-to-face meetings.
- **Share practical and simple offerings.** Customers are comfortable with and will often default to practical and experience-based rules when investing or buying insurance products, such as allotting three to five times your current income for critical illness insurance, but these choices may not be the right fit for all customers.

Therefore, designers should provide agents with an appropriate range of products and guidelines that allow them to make clear and suitable recommendations to customers.

Put the right internal structures in place

It is critical to develop the right measurements and metrics to assess customer experience as well as have processes in place to review the outcomes and construct a game plan.⁷ In all cases, feedback and metrics captured should be applied to the specific customer journey for an end-to-end view of performance. This helps insurers understand which areas failed to meet performance goals.

Best-in-class organizations have governance structures that include a sponsor—the executive champion for each of the prioritized customer journeys. In addition, they also employ dedicated full-time teams to carry out the changes needed to reach the future-state journey and support continuous improvements: customer needs, processes, and technologies.

Chinese insurers could continue with business as usual, falling further behind industry leaders by measure of customer satisfaction; however, doing so will mean missed opportunities such as capturing premium growth and improving customer retention. Instead, insurers should take strides to improve their end-to-end customer experience in the areas that matter, meeting the interests and demands of Chinese customers. Carriers that do so will achieve a greater share of premium growth—and better customer retention rates—carving a better market position for the future.

⁶ Kent Gryskiewicz, Hugo Sarrazin, Conrad Voorsanger, and Hyo Yeon, "How concept sprints can improve customer-experience innovation," March 2018, McKinsey.com.

⁷ Victoria Bough, Ralph Breuer, Harald Fanderl, and Kevin Neher, "Four ways to shape customer-experience measurement for impact," April 2017, McKinsey.com.

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